

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 28, 2022

Agenda ID #21198

~~–Ratesetting~~

TO PARTIES OF RECORD IN APPLICATION 22-05-029:

~~This is the proposed decision of Administrative Law Judge Douglas M. Long. It will appear on the Commission's December 15, 2022 agenda. The Commission may act then, or it may postpone action until later.~~

~~When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.~~

~~Pursuant to Rule 14.6(b), comments on the proposed decision must be filed within seven days of its mailing and reply comments must be filed within 10 days of its mailing.~~

~~Comments must be filed pursuant to Rule 1.13 electronically. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Long at dug@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpub.ca.gov.~~

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:jnf

Attachment

PROPOSED DECISION

ALJ/DUG/jnf

PROPOSED DECISION

Agenda ID #21198 (Rev. 1)

Ratesetting

12/15/2022 Item #32

Decision **PROPOSED DECISION OF ALJ LONG** (Mailed 11/28/2022)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2023 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation. (U39E).

Application 22-05-029

DECISION ADOPTING THE ELECTRIC REVENUE REQUIREMENTS AND RATES ASSOCIATED WITH THE 2023 ENERGY RESOURCE RECOVERY ACCOUNT AND GENERATION NON-BYPASSABLE CHARGES FORECAST AND GREENHOUSE GAS FORECAST REVENUE RETURN AND RECONCILIATION AND THE 2023 ELECTRIC SALES FORECAST FOR PACIFIC GAS AND ELECTRIC COMPANY

TABLE OF CONTENTS

Title	Page
DECISION ADOPTING THE ELECTRIC REVENUE REQUIREMENTS AND RATES ASSOCIATED WITH THE 2023 ENERGY RESOURCE RECOVERY ACCOUNT AND GENERATION NON-BYPASSABLE CHARGES FORECAST AND GREENHOUSE GAS FORECAST REVENUE RETURN AND RECONCILIATION AND THE 2023 ELECTRIC SALES FORECAST FOR PACIFIC GAS AND ELECTRIC COMPANY.....	2
Summary.....	2
1. Background.....	43
1.1. Pacific Gas and Electric Company's Application.....	43
1.2. Historical Background.....	6
1.2.1. Energy Resource Recovery Account (ERRA).....	6
1.3. Procedural History.....	6
2. Market Price Updates for the Fall Update.....	8
3. PG&E's Fall Update.....	9
4. Issues Before the Commission.....	9
4.1. 2023 and 2024 Sales Forecasts	10
4.1.1. Summary.....	10
4.1.2. Discussion.....	10
4.1.3. Conclusion.....	14
4.2. Power Charge Indifference Adjustment (PCIA).....	14
4.2.1. Summary.....	14
4.2.2. Discussion.....	15
4.2.3. Conclusion.....	19
5. Greenhouse Gas and Climate Related Costs.....	20
6. Other Issues.....	20
7. Reduction of Comment Period and Party Comments.....	21
8. Assignment of Proceeding.....	21 22
Findings of Fact.....	21 23
Conclusions of Law.....	23 24
ORDER.....	23 25

DECISION ADOPTING THE ELECTRIC REVENUE REQUIREMENTS AND RATES ASSOCIATED WITH THE 2023 ENERGY RESOURCE RECOVERY ACCOUNT AND GENERATION NON-BYPASSABLE CHARGES FORECAST AND GREENHOUSE GAS FORECAST REVENUE RETURN AND RECONCILIATION AND THE 2023 ELECTRIC SALES FORECAST FOR PACIFIC GAS AND ELECTRIC COMPANY

Summary

This decision adopts the 2023 Energy Resource Recovery Account (ERRA) and related energy costs, as well as the amortization of energy related balancing accounts, and the 2023 electric sales forecast to be used by Pacific Gas and Electric Company (PG&E) to recover these costs. The decision also adopts PG&E's 2023 forecast of revenue requirements for greenhouse gas and climate-related costs. As discussed in this decision, the parties have examined and otherwise agreed to a 2023 net revenue requirement for PG&E of \$1,995,957,000. This translates to a non-CARE¹ bundled residential rate increase of 0.9% compared to current effective rates, or an average of \$1.55 monthly bill increase for an average non-CARE residential customer. Bundled System Average Rates will decrease by roughly 0.6%. As a result of the costs and other adjustments approved in this decision, PG&E's rate for an average residential customer (including GHG revenue return) will be \$0.28891/kilowatt-hour effective January 1, 2023, an increase of 0.9 percent.

During the course of this proceeding PG&E has made corrections to its forecast, made adjustments based on the recommendations of the interested parties, and provided a final "Fall Update" as required by the Commission. This decision resolves two disputed items. The decision otherwise adopts PG&E's requests as forecast in the Fall Update.

¹ The California Alternate ~~rates~~[Rates](#) for Energy (CARE) discount is California's primary rate affordability tool.

This decision orders PG&E to conduct a sales forecast methodology workshop no later than March 31, 2023 to examine and then incorporate into its 2024 ERRR sales forecast the continued impacts of COVID-19 on electricity sales. The results of this workshop will directly affect the next ERRR application and will be known to PG&E as it prepares its next Phase 2 general rate case. This decision otherwise denies the proposal to adjust the 2023 sales forecast for possible COVID-19 impacts potentially not reflected in the current sales forecast methodology.

This decision rejects PG&E's proposal for a "floor" applicable to the Power Charge Indifference Adjustment (PCIA) rate charged to bundled and departed customers of PG&E. Until now, the PCIA rate charged to customers has required a payment meant to ensure bundled service customers are indifferent to customers departing PG&E. For 2023, PG&E forecasts that the indifference amount for some departing customers would be negative; that is, the methodology would result in payments to, instead of from, departing and bundled customers. Under PG&E's floor proposal, the forecast payment to customers would be deferred and would later offset any subsequent forecast of PCIA payment to be made by customers. We find no persuasive argument for this proposal. PG&E must continue the current practice and flow through the PCIA adjustment whether positive or negative to all bundled and departed customers.

This proceeding is closed.

1. Background

1.1. Pacific Gas and Electric Company's Application

Pacific Gas and Electric Company's (PG&E) application seeks authority to recover or adopt:

- (1) PG&E's forecasted 2023 energy procurement revenue requirements to become effective in rates on January 1, 2023, including:
 - (a) disposition of PG&E's forecast December 31, 2022 year-end balancing account balances; and
 - (b) disposition of recorded Voluntary Allocation Market Offer Memorandum Account (VAMOMA) balances;
- (2) PG&E's proposed forecasted electric sales for 2023;
- (3) PG&E's forecast of greenhouse gas (GHG) revenues, revenue return, and administrative, programmatic, and customer outreach costs for 2023;
- (4) PG&E's 2021 GHG administrative and customer outreach costs as reasonable; and
- (5) PG&E's rate design proposals associated with its proposed total electric procurement revenue requirements to be effective in rates on January 1, 2023, including Green Tariff Shared Renewables (GTSR) rates.

Table 1

PG&E's 2023 ERRA Revenue Requirement Request (\$'000)		
	Application	Fall Update²
Cost Allocation Mechanism and New System Generation Charge ³	\$155,432	\$190,942
Voluntary Allocation Market Offer Memorandum Account	90	451
Power Charge Indifference Adjustment (PCIA)	1,037,672	(6,559)
Ongoing Competition Transition Charge	13,927	17,917
Energy Resource Recovery Account (ERRA) – Main	3,227,431	4,227,304
ERRA - PCIA Financing Subaccount (PFS)	(80,025)	0
Power Charge Indifference Amount Undercollection Balancing Account (PUBA)	93,402	96,376
Public Policy Charge Procurement	(6,660)	(6,956)
Tree Mortality Non-bypassable Charge	26,445	6,347
Bioenergy Market Adjusting Tariff	18,636	4,859
Total Revenue Requirement	\$4,486,350	\$4,530,679
Adjustments for Revenue Requirements Authorized in Other Proceedings		
Utility-Owned Generation – Related Costs	(\$2,372,970)	(\$2,349,491)
ERRA -PFS	80,025	82,790

² PG&E timely served Updated testimony and Workpapers, the Fall Update, on October 17, 2022. The Commission's Energy Division provided timely market updates used by PG&E.

³ All cost categories are listed in full name rather than by an acronym to assist the reader and enhance the clarity of this table. The decision otherwise follows the standard practice of full name and acronym when first used and subsequent usage of acronyms only. Ordering paragraphs repeat the full name and acronym as needed in every Ordering paragraph.

PG&E's 2023 ERRA Revenue Requirement Request (\$'000)		
	Application	Fall Update²
2020 PUBA	(93,402)	(96,376)
Risk Transfer Balancing Account Electric (RTBA-E)	(143,833)	(161,818) <u>(161,819)</u>
Residential Uncollectables Balancing Account (RUBA-E)	(3,721)	(9,827)
Total Adjustments	(\$2,533,902)	(\$2,534,722)
Net Revenue Requirement Requested in Application	\$1,952,448	\$1,995,957

1.2. Historical Background

1.2.1. Energy Resource Recovery Account (ERRA)

As required by Public Utilities (Pub. Util.) Code Section 454.5(d)(3), the Commission established the ERRA in Decision (D.) 02-10-062 to allow an electric utility, like PG&E, to recover its procurement costs, including expenses for fuel and purchased power, utility retained generation, California Independent System Operator related costs, and the costs of the residual net short procurement requirements necessary to serve bundled customers. The reasonableness of these costs will be reviewed in a separate annual compliance proceeding.

1.3. Procedural History

On May 31, 2022, PG&E filed Application (A.) 22-05-029 for the adoption of electric revenue requirements and rates associated with its 2023 ERRA, generation non-bypassable charges forecast, and greenhouse gas forecast revenue return and reconciliation. By Resolution ALJ-3510, the Commission preliminarily determined that this proceeding was ratesetting and that hearings were necessary. The Public Advocates Office (Cal Advocates) and the California

Community Choice Association (CalCCA)⁴ timely filed protests, and the Direct Access Customer Coalition (DACC) and the Agricultural Energy Consumers Association timely filed responses to the application. A duly noticed prehearing conference was held telephonically on July 18, 2022. A ruling granted party status to Small Business Utility Advocates (SBUA). PG&E filed the required 2022 Fall Update on October 17, 2022.⁵ Additionally, in several other rulings, certain PG&E exhibits were received under seal. By ruling, the testimony served with the Fall Update was received into evidence. By agreement of the active parties, no evidentiary hearings were necessary.

The active parties in this proceeding are PG&E, CalCCA, SBUA, and DACC. CalCCA and SBUA served testimony and filed opening and reply briefs, and CalCCA filed comments on the Fall Update. DACC filed an opening brief. Cal Advocates filed a timely protest but subsequently did not serve testimony or file briefs and therefore is not an active party in this proceeding.

The evidentiary record of this proceeding consists of all [filings, and](#) exhibits, [including the Fall Update](#), admitted into evidence by the **ruling**

⁴ CalCCA represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

⁵ A standard component of the annual ERRA Forecast application is for the applicant to file a comprehensive update of the ERRA Forecast data as well as other corrections to the application. This was commonly referred to as the November Update, however the date has been accelerated and it is now either the Fall Update or the October Update. Its purpose is to ensure the final decision has the most current information for a more reliable forecast to adopt a rate change beginning on January 1. Parties are allowed to file Comments and Reply Comments on the Fall Update.

~~issued~~rulings filed on October 21, 2022 and December 7, 2022. Both rulings granted confidential treatment to exhibits designated as confidential and they remain under seal.

2. Market Price Updates for the Fall Update

An essential step in the ERRA Forecast is for the utility to file and serve an update to the application. Beginning with the current 2023 ERRA Forecast application, the update is now to be filed in October rather than November, with the intention of providing more time for the parties to review the update and the Commission to prepare a timely decision.

Pursuant to D.22-01-023, the Commission's Energy Division provides the current values for the Power Charge Indifference Adjustment (PCIA) Forecast and True Up, which PG&E had to use for its October Update. The PCIA calculations incorporate Market Price Benchmarks (MPB) – the Energy Index, Renewable Portfolio Standard (RPS) Adder, and Resource Adequacy (RA) Adder – as defined by D.18-10-019 and revised by D.19-10-001 and D.22-01-023. Most recently, D.22-01-023 directed Energy Division to calculate and distribute these values by the first business day in October each year. Energy Division timely served the required data on PG&E on September 30, 2022, and thus ensured the proceeding remained on schedule.

The 2022 Final MPBs for PG&E are:

- RA Adder \$6.84 per kilowatt-month (\$/kW-month).

2023 Forecast MPBs are:

On-Peak Energy Index ⁶	\$88.87 per megawatt hour (\$/MWh)
Off-Peak Energy Index	\$77.22/MWh

⁶ Energy Division notes that The Energy Index provided to PG&E is based on Platts forward prices and is a forecast only. There is no “final” Energy Index. Final energy values in PCIA are the subsequent actual market prices for the given year.

Local RA Adder	\$6.93/kW-month
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3. PG&E's Fall Update

PG&E timely filed and served its Fall Update on October 17, 2022. The changes to PG&E's forecast are shown in Table 1 above.

4. Issues Before the Commission

After conducting discovery and after PG&E made various changes to its request, there were two disputed issues to be resolved in this decision:

- (1) The appropriate 2023 sales forecast and methodology; and
- (2) Whether to adopt PG&E's proposed use of a "floor" for the PCIA charge to customers.

These issues are discussed and resolved below. All other issues as described in the scoping memo are deemed resolved and the 2023 ERRRA Forecast, as presented in Table 1, is adopted. In addition, we accept the clarifications made by PG&E in its briefs and reply to the Fall Update in response to issues raised by CalCCA and SBUA.

This translates to a non-CARE⁷ bundled residential rate increase of 0.9% compared to current effective rates, or an average of \$1.55 monthly bill increase for an average non-CARE residential customer. Bundled System Average Rates will decrease by roughly 0.6%.⁸ As a result of the costs and other adjustments approved in this decision, PG&E's rate for an average residential customer (including GHG revenue return) will be \$0.28891/kilowatt-hour effective January 1, 2023, an increase of 0.9 percent.⁹

⁷ The California Alternate rates for Energy (CARE) discount is California's primary rate affordability tool.

⁸ PG&E 2023 Fall Update Testimony; Attachment A-2.

⁹ Exhibit PGE-5 dated 10/28/22 Attachment A-3.

4.1. 2023 and 2024 Sales Forecast

4.1.1. Summary

This decision adopts PG&E's proposed 2023 sales forecast and declines to make the recommended changes at this time. As discussed below, PG&E is required to conduct a sales forecast workshop before filing its 2024 ERRA Forecast application.

4.1.2. Discussion

SBUA disputes the sales forecast methodology and results proposed by PG&E, essentially asserting that PG&E's method fails to adequately recognize the continued and potentially permanent shift in load away from commercial customers to residential customers caused by the COVID 19 social distancing measures, which led to many offices being closed, employees working from home, and a shift in load away from local businesses and into traditional residential locations. PG&E argues this change and the lingering or permanent effects are "anecdotal."¹⁰ SBUA counter-argues that PG&E has chosen to not do the analytical work to test the anecdotal and derive the true impact of COVID 19 on sales, and more importantly, the changes in consumption by customer category.

PG&E states in its Fall Update:

PG&E notes that its adjustment for the novel coronavirus (COVID-19) effects has been implemented through the use of dummy variables.¹¹ The coefficients of these dummy variables are provided in the Chapter 2 workpapers. Consistent with the 2021 and 2022 ERRA Forecast proceedings, the COVID-19 effect declines to zero in June 2023 approximately linearly from its estimated value

¹⁰ Anecdotal is similar to hearsay, not necessarily true or reliable, because it is based on personal accounts rather than facts or research.

¹¹ Footnote omitted.

after the universal availability of vaccines in late 2021. This decline is implemented using a post-regression adjustment to gradually offset the dummy variable. (Fall Update at 5-6.)

“Dummy variables”¹² are not a suitable long-term substitute for performing a full-scale analysis of data and observable trends in that data that addresses, in this case, whether COVID-19 has had a transitory or a lasting impact on sales by customer category.

PG&E does not argue that its 2023 sales forecast is a plausible expectation of sales in 2023; it argues it made the same simplifying assumptions for 2023 that it made for 2021 and 2022. For its next ERRR forecast application, PG&E must provide a complete and robust sales forecast for 2024. PG&E must reexamine its sales forecast methodology to fully recognize and incorporate the actual changes – whatever they are – in sales by customer class and location to reflect their impact on total sales in its next ERRR forecast application.

Recently the Commission separately and extensively examined how San Diego Gas & Electric Company (SDG&E) prepared its 2022 ERRR sales forecast in A.21-08-010. The parties there examined in detail the need to consider the real impacts of COVID-19 on sales, both in total sales and in terms of shifts between customer classes. The result was to order a full review with interested parties’ advanced input into SDG&E’s next ERRR forecast:

In preparation for filing its annual sales forecast, San Diego Gas & Electric Company (SDG&E) is directed to hold an all-party workshop no later than March 31 of each year. The purpose of this workshop is for SDG&E to work with stakeholders and to consider any input they may propose

¹² Essentially, a “dummy variable” is a binary variable that takes a value of 0 or 1. One adds such variables to a regression model to represent factors which are of a binary nature, *i.e.*, they are either observed or not observed.

prior to filing its annual sales forecast with the Commission for the upcoming year. (D.22-03-003, OP 4.)

At the conclusion of the SDG&E workshop, we determined that it was premature to study COVID-19 impacts in depth¹³ but also recognized that some pandemic impacts are clearly and measurably continuing.

We believe that PG&E should ~~also~~expeditiously hold an annual workshop, no later than March 31, 2023, and the purpose of the workshop is for PG&E to work with stakeholders and to consider any input they may propose prior to filing its annual sales forecast with the Commission for the 2024 ERRRA forecast application. We will order this workshop and leave it to the next proceeding to determine whether the workshop was of sufficient value to continue with annual workshops.

We expect this workshop to contribute to the development of a sales forecast for PG&E's next Phase 2 general rate case (GRC) where PG&E will propose a complete cost allocation methodology. PG&E needs to move past the "anecdotal" argument and engage in the analytics to reflect the current reality of its sales distribution.

PG&E argues (Reply Brief at 14) that its forecast methodology is different than SDG&E's. While this is true, the underlying issue is whether PG&E, like SDG&E, failed to adequately address the current and possibly lasting impacts of COVID-19 on its sales forecast. SBUA has reasonably demonstrated that PG&E's current methodology may well under-reflect COVID-19 impacts. The solution ordered for SDG&E was to require a workshop and require the utility to directly consider the impact of COVID-19. We can make the same order here while recognizing that PG&E uses a different methodology which also needs to more

¹³ See generally the discussion in D.22-03-003 at 13.

directly capture COVID-19 impacts. Notwithstanding that SDG&E and Southern California Edison Company (Edison) may use different sales forecast methodologies than PG&E, it is still prudent for PG&E to consult with SDG&E and Edison on whether, and if so how, they believe they are reasonably capturing the unique impacts of COVID-19 in their ERRA sales forecasts.

Sales forecasts are a necessary component of many ratesetting proceedings. The forecast can be used directly or indirectly to help set rates, classically, in the Phase 2 GRC where the Commission determines the utility's marginal costs, and allocates costs to each rate class in order to set the cost of service for each type of service offered. PG&E points out that the Phase 2 GRC relies primarily on historical data to determine cost-causations by customer class, but the Commission should always be mindful of the most current sales forecast at the time of any proceeding. That forecast arguably must be ~~the most~~ robust and ~~must~~should fully explore more precisely which customers are being served and when they are being served in order to fairly allocate costs.

The Commission ~~uses~~is able to use and refer to a sales forecast in the three major ratesetting proceedings for PG&E. The Phase 1 GRC sales forecast ~~mainly informs~~can inform and ~~supports~~support the need for and the test year estimate of PG&E's operating costs. In the ERRA, the sales forecast is used to allocate energy cost recovery on total kilowatt-hour sales to recover forecast energy costs. ~~Arguably neither of these proceedings require as precise a sales forecast as the Phase 2 GRC.~~ In the Phase 2 GRC, the Commission ~~adopts a very detailed~~can consider the sales forecast by customer class in order to more precisely allocate costs by customer classes. ~~It is in~~ even though the Phase 2 GRC ~~that the impacts of COVID-19 would most clearly impact customer rates because of the shifts in load from one customer class to another as well as other changes to the level of~~

~~consumption by each class~~ is heavily reliant on historical sales data. The Commission is not compelled to ignore significant recent and current events which may impact the reasonableness of any rate order. In between Phase 2 GRC proceedings, rate increases are allocated by customer class based on the most recently adopted Phase 2 GRC cost allocation. As a result, ratepayers are affected by the impacts of the Phase 2 GRC for several years until the next Phase 2 GRC. If we accept PG&E's contention that the ERRA sales forecast adopted by the Commission is the most important forecast, then it follows it must be the most robust and most reflective of all recent and foreseeable events that might affect sales. For example, if a major industrial customer were to announce its closure of a large manufacturing facility, the impact of that closure would outweigh the continued use of a formulaic development of the sales forecast.

4.1.3. Conclusion

We do not think it appropriate to delay the balance of this proceeding to take the time for PG&E to prepare a new, complete, and robust 2023 sales forecast. We therefore adopt PG&E's 2023 sales forecast as presented in the Fall Update. We expect a well prepared, complete, and robust 2024 ERRA sales forecast which includes the input of the interested parties who actively participated in this year's proceeding.

4.2. Power Charge Indifference Adjustment (PCIA)

4.2.1. Summary

As discussed below, we deny PG&E's proposed PCIA rate "floor:" for the component of PCIA rates that reflects the cumulative forecasted Indifference Amount.¹⁴ This is an issue of first impression. We note that the principal purpose of an ERRA forecast proceeding is to adopt a forecast of the utility's electric

¹⁴ To keep the discussion brief this is shortened and referred to as PG&E's "floor" proposal.

procurement revenue requirement and electrical sales for the upcoming year. The Commission has over time found that other electric procurement-related costs should also be included and addressed in an ERRA forecast proceeding. However, rather than adopting a new rule, as PG&E urges here, those prior changes were established by Commission decisions, recognizing that an ERRA forecast proceeding is not a policy setting forum.

Until now, the PCIA rate charged to customers has required a payment meant to ensure remaining customers are indifferent to customers departing PG&E.¹⁴¹⁵ This has been a positive volumetric surcharge. For 2023, PG&E forecasts that the indifference rate for some customers would be negative; that is, the methodology would result in payments to, instead of from, customers. By adopting PG&E's floor proposal, the negative indifference amount would be tracked in a sub-account and could later offset a subsequent positive PCIA charge to customers in the 2024 ERRA Forecast proceeding. This rate floor if adopted for 2023 would serve as a buffer. We must address whether to adopt this proposal because this issue of a negative PCIA rate was not fully considered at the time the PCIA was first implemented.

4.2.2. Discussion

PG&E and the other electric utilities traditionally had the obligation to procure sufficient energy to serve all customers in their respective service territories. However, with the restructuring of the electric industry in California,

¹⁴¹⁵ These departing customers still receive unbundled transmission and distribution service from PG&E. However, they purchase their electricity from a non-utility service provider. This decision does not focus on the differences between the various "vintages" of departing load customers and the different PCIA obligations for each vintage. Vintage years refers to when a customer switched service provider and the energy costs otherwise stranded by each vintage as they depart. Not all vintages have a negative rate forecast. The focus here is on the appropriate treatment of the first instance of any negative PCIA rate forecast for PG&E.

customers can now choose to purchase electricity from direct access providers and community choice aggregators (CCAs) which means their load could “depart” from the utility. Customers who depart continue to receive distribution and transmission services from PG&E.

As customers departed PG&E, the Commission had to ensure that departing customers remained responsible for certain costs incurred on their behalf by their utility, without being subject to other costs that were not incurred on their behalf. This new problem was the result of long-term energy contracts undertaken to serve all customers some of which are now priced above current market costs. These above market costs reflected the commitments made by PG&E to provide electricity to customers who had now departed to other load-serving entities. The Commission had the statutory obligation to respond to concerns that its existing cost allocation and recovery mechanism was not preventing cost shifts between different groups of customers.

The Commission adopted a procedure where an MPB is used to calculate a PCIA rate. This PCIA rate is intended to equalize cost sharing between departing load and bundled load, i.e., ensuring customer indifference to whether another customer left or remained with PG&E. In D.18-10-019, the Commission adopted an annual true-up mechanism, as well as a cap, that would limit the change of the PCIA rate from one year to the next. The true-up would ensure that bundled and departing load customers pay equally for the above-market costs of PCIA-eligible resources. The cap was intended to provide a degree of rate stability and predictability. The Commission subsequently discontinued the cap in D.21-05-030. None of those proceedings considered a rate floor.

The unforeseen has now occurred: some of the resources included in the PCIA calculation are no longer above market price, and therefore the adjustment

is no longer a charge (*i.e.*, a payment required of the customer) but has instead become, at least mathematically, a credit, *i.e.*, a potential payment to the customer. This is the logical result of the mechanism not having a clearly adopted or rejected policy of a “floor” or a lower limit to the PCIA adjustment.

The question before us in this proceeding is whether to adopt a PG&E proposal to insert an indifference rate “floor,” limiting the PCIA adjustment to zero, or allow the adjustment to go negative and currently become a payment to customers on a forecast basis who until now had to make payments to keep bundled customers indifferent to other customers’ departure.

PG&E argues that the creation of the PCIA was always concerned with the recovery of above market costs and cites to several instances where ratepayer indifference has been the primary concern. (PG&E Reply Brief at 3-4.) PG&E argues that there is only a “forecast” of negative payments. Should that forecast be wrong, then any payments made would need to be subsequently recovered in the next ERRA proceeding. Additionally, during 2023, “PG&E views the risk of not having sufficient revenues to pay the cost of its generation portfolio at a time of volatile wholesale markets is greater than the risk of certain customers experiencing rate volatility caused by not receiving a forecasted credit.” (PG&E Reply Brief at 9.) PG&E’s service territory consists of more departing load customers than bundled service customers. (PG&E Opening Brief at 35-36.) PG&E argues that this makes recovering its costs problematic especially if customers receive a forecast-based payment which may reverse. PG&E also cites to how its own forecast changed dramatically between filing the application in May and updating the forecast in October. “A simple comparison of difference of the revenue requirements presented in Exh. PGE-2, and PG&E’s Fall Update, indicates that the level of the forecast PCIA revenue requirement is extremely

volatile, with an over \$1 billion difference between PG&E's June and October submittals." (Reply Brief at 8.)

CalCCA challenged PG&E's proposal to introduce a price floor on the PCIA. It argues that the rate floor violates the Pub. Util. Code §453(c) prohibition against any unreasonable difference as to rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service among customers because it will lead to different rates among CCA customer vintages. (CalCCA Opening Brief at 15.) CalCCA also contends that this artificial limit on PCIA rates is unjust and lacks sound policy basis because it allows positive PCIA rates to be set based on forecasted revenue requirements but requires negative PCIA rates to only "be set on an actual basis." (CalCCA Opening Brief at 17.) CalCCA argues that this would be an unfair difference in how a positive or a negative PCIA rate is set for rate recovery in an ERRA forecast proceeding. CalCCA also argues that the Commission's prior decision in D.18-10-019 "eliminated all limits on PCIA rate changes," including a potential floor on the rate. (CalCCA Reply at 4.)

The overriding question is timing: Should PG&E now have to pay customers based on a forecast, just as previously the customers had to pay based on a forecast? The overriding principles should be bundled customers' indifference to the departing customers and departing customers each bearing their share of uneconomic resources acquired on PG&E's expectation and obligation to serve. PG&E points out that should the negative charge forecast be wrong, it suffers a cashflow crunch and a probably slight risk of full recovery later. The customers do see a current benefit – no charge now – and they would have the ongoing balancing account to protect them if the negative rate later flips

back to the typically expected charge. It is also true that there has been little or no prior consideration or expectation by the Commission of negative charge.

For this first occurrence of a negative rate, there is a question of equitable treatment for PG&E. Fundamental to the ERRA proceedings is allowing PG&E a timely and fair opportunity to recover its reasonable costs incurred to serve the customers and the load anticipated when it entered into procurement agreements. PG&E had to assume it was obliged to serve a customer until that customer actually departed to either a direct access or a CCA service provider. The PCIA mechanism not only allocates costs between bundled and departed customers, but it provides a stable rate recovery mechanism for PG&E for its reasonable costs.

A one-time floor would allow a slight cushion to PG&E and dampen the swing from positive to negative PCIA rates for certain vintages of departed load customers. On the whole, however, we find the current ERRA ratesetting mechanisms do fully protect PG&E and ensure its recovery of reasonable costs, including financing costs, and therefore we believe PG&E should be financially indifferent to having or not having a floor.

4.2.3. Conclusion

A negative PCIA charge calculated for 2023 is a first-time unexpected event. The least harmful outcome is to deny PG&E's proposal for a rate floor. Customers will see the effect of the sales forecast now as they have done in prior years, and in subsequent proceedings customers will see the appropriate adjustments for actual costs just as they have done in prior years. PG&E is financially protected by the existing ERRA rate recovery mechanisms.

5. Greenhouse Gas and Climate Related Costs

This 2023 ERRA proceeding includes PG&E's proposal for the rate recovery of its greenhouse gas and other climate related program costs which are unopposed based on the final estimates in the Fall Update. As a result, this decision approves:

- i. \$190,614,592 as the forecast of greenhouse gas related costs for 2023 recoverable from all customers;
- ii. \$433,944,864 to be returned to small business and residential customers for a twice annual climate credit of \$38.39;
- iii. \$38,931,778 to be returned to Emission-Intensive and Trade Exposed (EITE) California Industry Assistance eligible customers;
- iv. \$50,090,099 to be used for Clean Energy or Energy Efficiency Programs; and, finally,
- v. \$482,389 for Outreach and Administration.

6. Other Issues

There were other adjustments to PG&E's initial requests which PG&E has agreed to when raised by the intervenors. Those parties request that these agreements be clearly included in this decision.

PG&E agrees in its Reply brief that it does not oppose CalCCA's recommendation that the Commission order the development of a framework addressing the ratemaking implications of the Voluntary Allocation and Market Offer process, which can leave bundled service customers short relative to the Minimum Retained Renewables Portfolio Standard, including attendant Renewable Energy Credit tracking issues. PG&E states that it believes matters regarding the sale of its San Francisco General Office; the On- and Off-Peak Load Weights; and the return of the PCIA Financing Subaccount, were addressed consistent with CalCCA's recommendations in PG&E's Fall Update, and

therefore no disputed issues remain. Finally, PG&E's Fall Update provides updated Modified Cost Allocation Mechanism costs consistent with CalCCA's recommendations.

We therefore find these issues are resolved within the Fall Update 2023 ERRRA Forecast.

7. Reduction of Comment Period and Party Comments

The proposed decision of Administrative Law Judge Douglas M. Long in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Commission Rule of Practice and Procedure (Rule) 14.3. Pursuant to Rule 14.6(b), all parties stipulated to reduce the 30-day public review and comment period required by Pub. Util. Code Section 311 to seven days from the date of mailing of the proposed decision for opening comments and 10 days from the date of mailing of the proposed

decision for reply comments. PG&E, CalCCA and DACC filed opening comments on December 5, 2022, and December 8, 2022, PG&E, CalCCA and SBUA timely filed reply comments ~~on~~.

Appropriate corrections and clarifications have been made to the proposed decision as a result of the parties' comments, although no substantive changes were made to alter the outcome as presented in the proposed decision.

We find no error in the proposed decision's requirement for PG&E to meet and confer with interested parties and to analyze the impacts of COVID-19 on the sales forecast to be included in the 2024 ERRRA forecast application and we reject PG&E's attempt to argue this issue again in its comments.

In its comments, PG&E repeats its arguments in favor of a floor for the PCIA charge and that existing regulatory mechanisms do not provide it adequate

protection. There has been no change to the forecast and true-up mechanisms for ERRA, and we reject PG&E's arguments for the reasons set forth in the proposed decision.

In its comments, PG&E requests that the requirement to address COVID-19 impacts to its 2024 Sales forecast be deferred to the 2023 Fall Update and not be included in the 2024 ERRA Forecast application. We expect PG&E to work expeditiously to address COVID-19 in its 2024 ERRA Forecast application and to collaborate with interested parties to further refine that sales forecast for the Fall Update as necessary. PG&E raised other concerns about the proposed decision's descriptions of sales forecasts, and we have made revisions to the proposed decision that do not alter the conclusion that PG&E needs to study the impacts of COVID-19 in a timely and expeditious fashion.

CalCCA and PG&E have agreed there should be a framework for handling banked renewable energy credits for the post 2023 period.¹⁶ This post 2023 period was specifically excluded from the scope of this proceeding.¹⁷ We have not had sufficient time and the evidentiary record is not sufficient to consider this proposed framework.

8. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Douglas M. Long is the assigned Administrative Law Judge in this proceeding.

¹⁶ CalCCA Comments at 5 citing to PG&E's Reply Brief at 14-15.

¹⁷ Scoping Memo at 3, Scoping item no. 6: "Whether PG&E has adequately supported its new proposed REC Tracking and Accounting Methodology, and whether the Commission should rule that the consideration of that methodology beyond the 2023 Renewables Portfolio Standard (RPS) Compliance Year is beyond the scope of this proceeding. At the [Prehearing Conference] PHC PG&E confirmed that its proposal was strictly limited to 2023 and PG&E was not seeking, nor relying on any approval, for subsequent years."

Findings of Fact

1. PG&E has presented via its Fall Update a complete forecast for the 2023 ERRA.
2. PG&E's 2023 sales forecast does not explicitly evaluate the impacts of COVID-19.
3. The evidentiary record reflects potentially significant and lasting shifts in PG&E's sales due to COVID-19's lasting or lingering societal impacts.
4. PG&E's 2023 ERRA sales forecast is consistent with prior practices which do not address unique events like COVID-19.
5. A workshop before PG&E files its next ERRA application can incorporate COVID-19's lasting [or lingering](#) impacts in the 2024 ERRA sales forecast.
6. The PCIA is intended to hold bundled customers indifferent to departing load customers by allocating the excess cost of over-market priced energy procured by PG&E to otherwise serve the departing load.
7. The PCIA charge has historically been positive, with all customers having to pay a charge for their fair share of eligible costs.
8. For 2023, PG&E forecasts that the PCIA rate for some vintages of customers will be negative.
9. PG&E's 2023 PCIA forecast is volatile, with a \$1 billion swing between the application and the Fall Update.
10. Current market conditions may reverse in the future, and the negative PCIA rate for some PG&E customers may become positive.
11. The existing PCIA mechanism ensures that PG&E will recover its reasonable actual costs.
12. The existing PCIA mechanism ensures that both bundled and departed customers will only pay their fair allocation of actual costs.

Conclusions of Law

1. PG&E filed this application in compliance with the standard requirements for an ERRA forecast proceeding as required by the Pub. Util. Code and prior Commission decisions.

2. The evidentiary record in this proceeding is sufficient to establish the Findings of Fact set forth above by a preponderance of the evidence.

3. It is reasonable to adopt the final PG&E 2023 ERRA forecast for net revenue requirements of \$1,995,957,000.

4. It is reasonable to adopt the current PG&E 2023 sales forecast rather than delay adopting a forecast and require PG&E to more explicitly evaluate the impacts of COVID-19 on 2023 sales.

5. It is reasonable to adopt the final PG&E 2023 forecast of greenhouse gas and other climate related costs.

6. It is reasonable to require PG&E to conduct a workshop with stakeholders before filing its 2024 [ERRA application's](#) sales forecast with the Commission.

7. The applicable laws and Commission decisions do not explicitly require or prohibit payments to customers should the forecast PCIA rate become negative.

8. PG&E has a reasonable opportunity under the PCIA mechanism to recover its actual reasonable costs.

9. PG&E's proposal to implement a rate floor for the cumulative forecasted indifference amount component of the PCIA rate should be denied, and PG&E should implement PCIA rate credits for those vintages of customers with negative cumulative forecast indifference amounts.

10. It is reasonable to grant confidential treatment of specific information as requested by PG&E.

11. ~~9.~~ This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E)'s application in this proceeding is approved, and PG&E is authorized to recover a total net 2023 Electric Resource Recovery Account Forecast Revenue Requirement of \$1,995,957,000, including:

- a) The Cost Allocation Mechanism and New System Generation Charge of \$190,942,000;
- b) The Voluntary Allocation Market Offer Memorandum Account of \$451,000;
- c) The Power Charge Indifference Adjustment (PCIA) of (\$6,559,000);
- d) The Ongoing Competition Transition Charge of \$17,917,000;
- e) The Energy Resource Recovery Account (ERRA) - Main of \$4,227,304,000;
- f) The ERRA - PCIA Financing Subaccount (PSFS) of \$0.00;
- g) The Power Charge Indifference Amount Undercollection Balancing Account (PUBA) of \$96,376,000;
- h) The Public Policy Charge Procurement of (\$6,956,000);
- i) The Tree Mortality Non-bypassable Charge of \$6,347,000;
- j) The Bioenergy Market Adjusting Tariff of \$4,859,000;
- k) The Utility-Owned Generation - Related Costs of (~~\$2,349,491~~2,349,491,000);
- l) The ERRA -PFS of ~~\$82,790~~82,790,000;
- m) The 2020 PUBA of (\$96,376,000);
- n) The Risk Transfer Balancing Account Electric of (~~\$161,818,000~~161,819,000); and
- o) The Residential Uncollectibles Balancing Account of (\$9,827,000).

This recovery of forecast revenue requirement is subject to adjustments in the Annual Electric True-up pursuant to Resolution E-5217.

2. The following Pacific Gas and Electric Company 2023 greenhouse gas and other climate-related program costs are adopted:

- a) The 2023 forecast of greenhouse gas-related costs of \$190,614,592;
- b) The climate credit total of \$433,944,864 to be returned to small business and residential customers in twice annual climate credits of \$38.39;
- c) The Emission-Intensive and Trade Exposed California Industry Assistance of \$38,931,778 to eligible customers;
- d) Clean Energy and Energy Efficiency Costs of \$50,090,099; and
- e) Outreach and Administration expenses of \$482,389.

3. Pacific Gas and Electric Company's 2023 sales forecast as presented in its October update is adopted.

4. Within 30 days of this decision's effective date, Pacific Gas and Electric Company shall file a Tier 1 Advice Letter to implement this decision.

5. Pacific Gas and Electric Company (PG&E) shall provide notice to all parties to this proceeding and shall conduct a workshop on or before March 31, 2023, regarding the sales forecast methodology to be used for PG&E's 2024 Energy Resource Recovery Account (ERRA) forecast application to examine how to reasonably determine and reflect any COVID-19 impacts on PG&E's 2024 sales forecast. PG&E shall make a reasonable effort to consult with Southern California Edison Company and San Diego Gas & Electric Company before the workshop to examine and discuss how those two companies address any COVID-19 impacts in their respective ERRA sales forecasts. PG&E shall include

the results of this consultation in its presentation and discussion with parties in the workshop.

6. Pacific Gas and Electric Company's proposal to implement a rate floor for the cumulative forecasted indifference amount component of the Power Charge Indifference Adjustment rate is denied.

7. Pacific Gas and Electric Company shall implement Power Charge Indifference Adjustment rate credits for those vintages of customers with negative cumulative forecasted indifference amounts.

8. All rulings granting motions for confidential treatment of certain documents and exhibits are affirmed and this material shall remain under seal for the period of time requested in those motions.

9. ~~7.~~ Application 22-05-029 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

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